

## Executive Summary

For the Q2/2017, PTTEP's financial performance was continually pressured by declining global crude prices which resulted in weaker average liquid selling price from the previous quarter (Q1/2017), however, the average gas selling price gradually improved which was supported by the favorable global crude prices during the previous 6-12 months. As a result, PTTEP's average selling price remained at the similar level of the previous quarter. The average petroleum sales volume was softened mainly due to the planned shutdown activities of the Bongkot project, the temporary suspension of the S1 project and lower sales volume from the Montara field due to cyclone season. Nonetheless, The Company was able to maintain the low cost base as reflected by our solid financial position with an earnings before interest, tax, depreciation and amortization (EBITDA) margin of 69%.

The Company reported sales revenue of 975 MMUSD or 6% lower than previous quarter. The average selling price stood at 38.08 USD per barrels of oil equivalent (BOE) compared to 38.00 USD per BOE in Q1/2017, while sales volume for Q2/2017 was 281,435 barrels of oil equivalent per day (BOED), a 7% decrease from 304,108 BOED in Q1/2017. Sales volumes for Q2/2017 was softer than the previous quarter as formerly described and appeared to be lower than previous guidance due to underestimation on the impact of low nomination from PTT as a consequence of a weak spot LNG price as well as the unexpected situation on S1 project's temporary suspension. To alleviate the downside impact on low nomination, the Company has contemplated a number of mitigation plans to uplift crude and condensate volume from existing projects. From an expenditure point of view, total expenses before income taxes in this quarter were 748 MMUSD, a similar level of previous quarter, despite the larger operational and exploration expenses from more activities. Depreciation cost was softened due to lower sales volume subsequently led to the low unit cost of 29.08 USD/BOE.

From the aforementioned, the Company generated net profit for this quarter of 220 MMUSD, of which comprised of recurring net profit of 167 MMUSD and the remaining of 53 MMUSD was non-recurring items, mainly attributed by tax saving from the strengthening in THB currency against USD currency during the period.

In addition, PTTEP's financial position as of the end of Q2/2017 remained solid, with total assets amounting to 18,872 MMUSD, of which 4,206 MMUSD was cash and short-term investments, while total liabilities were reported at 7,213 MMUSD in which interest-bearing debt accounted for 2,874 MMUSD; and total shareholders' equity ended at 11,659 MMUSD.

### Table of key financial results

	Q1 2017	Q2 2017	Q2 2016 (Restated)	% Inc. (Dec.) QoQ	% Inc. (Dec.) YoY	6M 2017	6M 2016 (Restated)	% Inc. YTD
(Unit: Million US Dollar)								
Total Revenue *	1,092	1,032	1,102	(5)	(6)	2,121	2,187	(3)
Sales Revenue *	1,040	975	1,061	(6)	(8)	2,015	2,106	(4)
EBITDA	776	685	778	(12)	(12)	1,461	1,567	(7)
Profit(loss) for the period	349	220	75	(37)	>100	569	232	>100
Basic earnings(loss) per share from continuing operations (Unit: USD)	0.09	0.04	0.01	(56)	>100	0.13	0.05	>100
Profit from normal operation	211	167	154	(21)	8	378	270	40
Profit(loss) from non-recurring items	138	53	(79)	(62)	>100	191	(38)	>100

\* Revenue from continuing operations

## *Economic Overview in the second quarter of 2017*

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### *Crude Oil Prices*

A crude oil price is one of crucial factors that affect the Company's performance. During Q2/2017, Dubai oil prices still moved in a volatile range between 43.6-54.7 USD/barrel. In the beginning of this quarter, the price started to hike as a result of higher-than-committed OPEC and Non-OPEC production cut, which OPEC's compliance rate in April 2017 reached 102%, and the extension of the production cut until March 2018. Another bullish factor was the tension among Syria and the United States of America (the US), representing the negative impact to the stability of Middle East. However, the oil price was deflated after the unrest situation has been improved leading to the rising oil supply from Libya and Nigeria along with additional supply from the US as shown by an increase in crude inventories from the US.

### *Thailand's Energy Demand*

Thailand's energy demand from January to May of 2017 stood at 2.16 million BOED, an increase by 1.3% relative to the same period of the previous year (Source: EPPO, The Ministry of Energy), which partly reflected better Thailand's economic situations.

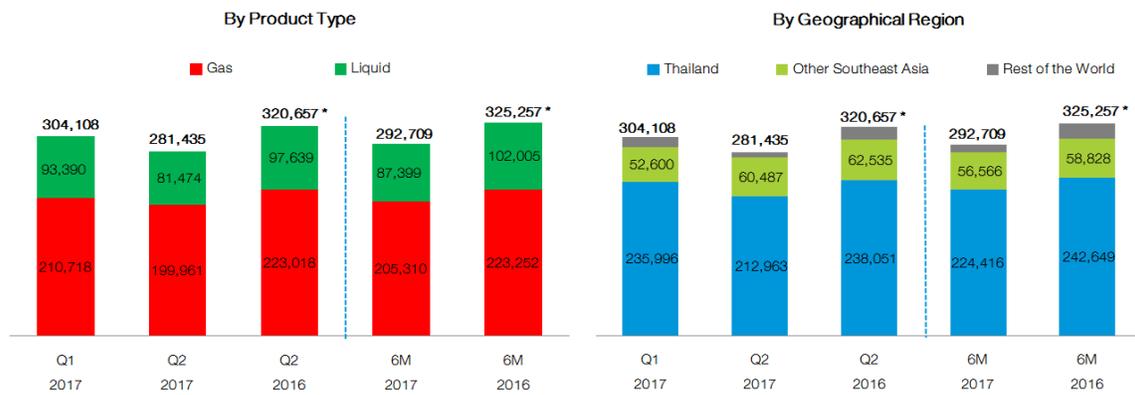
### *Exchange Rates (Thai Baht against US Dollar)*

With PTTEP's functional currency being the US Dollar, the Thai Baht to US Dollar exchange rate is another factor affecting the Company's financial performance because PTTEP's currency for tax filing is the Thai Baht. The Thai Baht appreciated during Q2/2017 due to expectations that FOMC may raise interest rates at a slower pace than previously speculated, as well as market's concern over the disclosure of disappointed US economic data, and the increasing uncertainty on the US policies. These factors resulted in Thai Baht to US Dollar exchange rate closing stronger at 33.98 THB/USD in the end of Q2/2017, an appreciation of 0.47 THB/USD from 34.45 THB/USD at the end of Q1/2017, led to foreign exchange-related gains and tax savings for PTTEP.

Financial Performance

Average Sales Volume

Unit: Barrels of Oil Equivalent per Day



\*Included sales volume of Oman 44 Project

Average selling price and Dubai crude oil price (Unit : US Dollar)	Q1 2017	Q2 2017	Q2 2016 (Restated)	% Inc. (Dec.) QoQ	% Inc. (Dec.) YoY	6M 2017	6M 2016 (Restated)	% Inc. (Dec.) YTD
Average selling price (/BOE)	38.00	38.08	36.62	0.2	4	38.04	35.84	6
Average Dubai crude oil price (/BBL)	53.03	49.68	43.18	(6)	15	51.38	36.80	40

For Second quarter of 2017 compared with First quarter of 2017

PTTEP and its subsidiaries (the “Group”) had the average sales volume for Q2/2017 in the amount of 281,435 barrels of oil equivalent per day (BOED), a decrease from Q1/2017 of 304,108 BOED. The decrease was primarily from the planned shutdown for maintenance of the Bongkot project, the temporary suspension of the S1 project and the decrease in sales volume of the PTTEP Australasia project in this quarter when compare with Q1/2017. However during Q2/2017, average selling price slightly increased to 38.08 USD/BOE (Q1/2017: 38.00 USD/BOE). Although Dubai crude oil price decreased but gas price increased resulted from price formula reflected average oil price for the past 6-12 months.

For Second quarter of 2017 compared with Second quarter of 2016

When compared the average sales volume for Q2/2017 to Q2/2016 of 320,657 BOED, it was decreased primarily from an increase in number of shutdown days for maintenance of the Bongkot and Malaysia-Thai Joint Development Areas (“MTJDA”) projects during Q2/2017 when compared with Q2/2016. However during Q2/2017, average selling price increased to 38.08 USD/BOE (Q2/2016: 36.62 USD/BOE), which is referenced to the Dubai crude oil price in global market.

For the six-month period ended June 2017 compared with 2016

The average sales volume for the six-month period ended June 2017, decreased to 292,709 BOED when compared with the same period of 2016 (for the six month period ended June 2016 of 325,257 BOED). The decrease was primarily from decreases in sales volume of the PTTEP Australasia project as well as a decrease from the MTJDA project as the Malaysian buyer was not able to receive natural gas as planned and an increase in number of shutdown days for maintenance. However during the six month period ended June 2017, average selling price increased to 38.04 USD/BOE (for the six month period ended June 2016: 35.84 USD/BOE), which is referenced to the Dubai crude oil price in global market.

## Financial Performance (Continued)

### Overall Operating Results

#### For Second quarter of 2017 compared with First quarter of 2017

In Q2/2017, the Group had a net profit of 220 MMUSD, a decrease of 129 MMUSD or 37% when compared to Q1/2017 net profit of 349 MMUSD. The decreases in profit were primarily due to 1) increase in income tax expense of 75 MMUSD from the appreciation of Thai Baht against US Dollar in the lower degree when compare with Q1/2017, 2) decrease in sales revenue of 65 MMUSD primarily from decreases in average sales volume, while 3) depreciation, depletion and amortization expenses decrease of 39 MMUSD mainly from a decrease in sales of crude oil of the PTTEP Australasia project.

In Q2/2017, the Group reported profit from non-recurring items of 53 MMUSD, a decrease of 85 MMUSD when compared with Q1/2017 net profit of 138 MMUSD. The decrease was primarily due to an increase in income tax expenses related to changes in foreign exchange rate of 82 MMUSD from an appreciation of Thai Baht against US Dollar in the lower degree when compare with Q1/2017.

#### For Second quarter of 2017 compare with Second quarter of 2016

In Q2/2017, the Group had a net profit of 220 MMUSD, an increase of 145 MMUSD or more than 100% when compared to the same period last year of 75 MMUSD. The increase in net profit were primarily due to 1) decreases in depreciation, depletion and amortization expenses of 136 MMUSD mainly from an increase in the petroleum reserves, 2) a decrease of loss on financial instruments primarily from oil price hedging of 95 MMUSD, while 3) sales revenue decreased of 86 MMUSD primarily due to a decrease in average sales volume.

In Q2/2017, the Group reported profit from non-recurring items of 53 MMUSD, an increase in operating results of 132 MMUSD when compared with loss from non-recurring items of 79 MMUSD in Q2/2016. The increase was mainly due to a decreases of loss on financial instruments primarily from oil price hedging of 95 MMUSD and income tax expenses related to changes in foreign exchange rate of 34 MMUSD from an appreciation of Thai Baht against US Dollar.

#### For the six-month period ended June 2017 compared with 2016

For the six-month period ended June 2017, the Group had a net profit of 569 MMUSD, an increase of 337 MMUSD or more than 100% when compare with the six-month period ended June 2016 of 232 MMUSD. The increase was primarily due to 1) decreases in depreciation, depletion and amortization expenses of 234 MMUSD mainly from an increase in the petroleum reserves, 2) recognition of gain on financial instruments of 3 MMUSD primarily from oil price hedging during the six-month period ended June 2017, while in the six-month period ended June 2016, the Group recognized loss of 148 MMUSD, while 3) sales revenue decreased of 91 MMUSD primarily due to a decrease in average sales volume.

For the six-month period ended June 2017, the Group reported profit from non-recurring items of 191 MMUSD, an increase in operating results of 229 MMUSD when compared with loss from non-recurring items for the six-month period ended June 2016 of 38 MMUSD. The increase was primarily due to a recognition of gain on financial instruments of 3 MMUSD primarily from oil price hedging during the six-month period ended June 2017, while in the six-month period ended June 2016, the Group recognized loss of 148 MMUSD and income tax expenses decreased related to changes in foreign exchange rate of 76 MMUSD from an appreciation of Thai Baht against US Dollar.

*Financial Performance (Continued)*

*Operating Results by Segments*

Net Profit (loss)	Q1	Q2	Q2	%	%	6M	6M	%
(Unit: Million US Dollar)	2017	2017	2016	Inc. (Dec.)	Inc. (Dec.)	2017	2016	Inc. (Dec.)
			(Restated)	QoQ	YoY		(Restated)	YTD
Exploration and production	214	139	143	(35)	(3)	353	270	31
Thailand	198	153	163	(23)	(6)	351	353	(1)
Overseas	16	(14)	(20)	>(100)	30	2	(83)	>100
- Other Southeast Asia	23	5	10	(78)	(50)	28	(3)	>100
- Australia	(4)	(13)	(16)	>(100)	19	(17)	(64)	73
- America	-	(2)	(7)	(100)	71	(2)	(6)	67
- Africa	(3)	(4)	(7)	(33)	43	(7)	(10)	30
Pipeline transportation	43	63	56	47	13	106	108	(2)
Head office and others	92	18	(125)	(80)	>100	110	(148)	>100
Discontinued Operations	-	-	1	(100)	(100)	0	2	(100)
<b>Total</b>	<b>349</b>	<b>220</b>	<b>75</b>	<b>(37)</b>	<b>&gt;100</b>	<b>569</b>	<b>232</b>	<b>&gt;100</b>

*For Second quarter of 2017 compared with First quarter of 2017*

For Q2/2017, the Group reported net profit of 220 MMUSD, decrease 129 MMUSD or 37% when compared with Q1/2017 of 349 MMUSD, primarily due to a decrease in operating results of head office and others segment of 74 MMUSD, exploration and production segment in Thailand of 45 MMUSD and Other Southeast Asia of 18 MMUSD.

***Head office and others segment***

For Q2/2017, the head office and others segment reported net profit of 18 MMUSD, a decrease in net profit of 74 MMUSD or 80% when compared with Q1/2017 of 92 MMUSD, primarily due to an increase in income tax expenses related to changes in foreign exchange rate from an appreciation of Thai Baht against US Dollar in the lower degree when compare with Q1/2017.

***Exploration and production segment***

● ***Thailand***

For Q2/2017, Thailand reported net profit of 153 MMUSD, a decrease in net profit of 45 MMUSD or 23% from Q1/2017 of 198 MMUSD. The decreases were primarily due to a decrease in sales revenue mainly from the Bongkot and S1 projects as well as an increase in operating expenses in line with higher activities, while depreciation, depletion and amortization expenses decrease as a result of a decrease in sales volume and an increase in petroleum reserves.

● ***Other Southeast Asia***

For Q2/2017, the Other Southeast Asia reported net profit of 5 MMUSD, a decrease in net profit of 18 MMUSD or 78% from Q1/2017 of 23 MMUSD, primarily due to an increase in exploration expenses for 3D seismic activities of the Zawtika and Myanmar MOGE 3 projects.

## *Financial Performance (Continued)*

### *Second quarter of 2017 compared with Second quarter of 2016*

For Q2/2017, the Group reported net profit of 220 MMUSD, an increase of 145 MMUSD or more than 100% when compared with Q2/2016 of 75 MMUSD. The increase was primarily due to an increase in operating results of head office and others segment of 143 MMUSD.

For Q2/2017, the head office and others segment reported net profit of 18 MMUSD, an increase in operating results of 143 MMUSD or more than 100% when compared with net loss in Q2/2016 of 125 MMUSD. The increase was primarily due to a recognition of gain on oil price hedging in Q2/2017, while in Q2/2016 the segment recognized loss on oil price hedging and a decrease in income tax expenses related to changes in foreign exchange rate from an appreciation of Thai Baht against US Dollar.

### *For the six-month period ended June 2017 compared with the 2016*

For the six-month period ended June 2017, the Group reported net profit of 569 MMUSD, an increase in net profit of 337 MMUSD or more than 100% when compared with the six-month period ended June 2016 of 232 MMUSD, primarily due to an increases in operating results of head office and others segment of 258 MMUSD, exploration and production segment in Australia of 47 MMUSD and Other Southeast Asia of 31 MMUSD.

#### *Head office and others segment*

For the six-month period ended June 2017, the head office and others segment reported net profit of 110 MMUSD, an increase in operating results of 258 MMUSD or more than 100% when compared with net loss during the six-month period ended June 2016 of 148 MMUSD. The increase was primarily due to a recognition of gain on oil price hedging during the six-month period ended June 2017, while the segment recognized loss on oil price hedging during the six-month period ended June 2016 as well as a decrease in income tax expenses related to changes in foreign exchange rate from an appreciation of Thai Baht against US Dollar.

#### *Exploration and production segment*

- *Australia*

For the six-month period ended June 2017, the Australia reported net loss of 17 MMUSD, an increase in operating results of 47 MMUSD or 73% when compared with net loss for the six-month period ended June 2016 of 64 MMUSD, primarily due to a decrease in depreciation, depletion and amortization expenses as a result of a decrease in decommissioning costs and increase in the petroleum reserve.

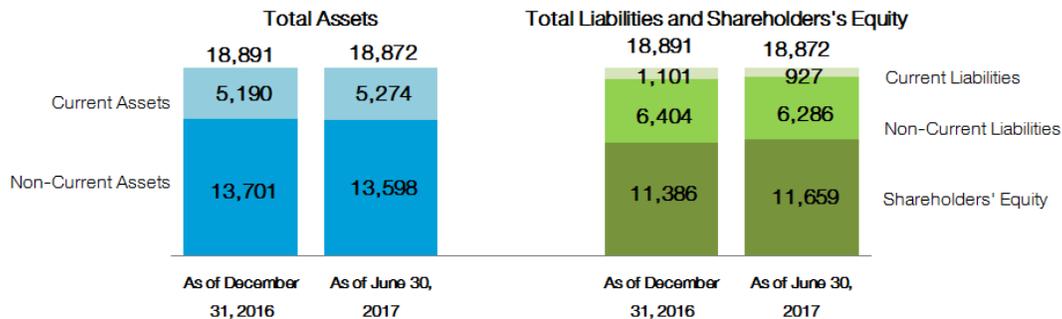
- *Other Southeast Asia*

For the six-month period ended June 2017, the Other Southeast Asia reported net profit of 28 MMUSD, an increase in operating results of 31 MMUSD or more than 100% when compared with net loss for the six-month period ended June 2016 of 3 MMUSD, primarily due to a decrease in depreciation, depletion and amortization expenses as a result of an increase in the petroleum reserve as well as an increase in sales revenue as a result of increase in average selling price.

Financial Performance (Continued)

Financial Position

*Unit: Million US Dollar*



Assets

As at June 30, 2017, the Group had total assets in the amount of 18,872 MMUSD (equivalent to 641,314 MMTHB), a decrease of 19 MMUSD from the total assets as of December 31, 2016 of 18,891 MMUSD (equivalent to 676,890 MMTHB), primarily due to;

- (1) Current assets, which were primarily comprised of cash and cash equivalents, short-term investments and account receivable – parent company, increased of 84 MMUSD mainly due to an increase of 184 MMUSD in cash and cash equivalents and short-term investments, while trade account receivable – parent decreased 43 MMUSD and trade accounts receivable decreased 24 MMUSD.
- (2) Non-current assets, which were primarily comprised of exploration and production assets in joint venture projects that are recognized as part of the property, plant and equipment, exploration and evaluation assets and goodwill. The decrease of 103 MMUSD was mainly due to depreciation, depletion and amortization expenses even though the Group had additional investment in exploration and production assets during the period, while deferred tax assets increased.

Liabilities

As at June 30, 2017, the Group had total liabilities of 7,213 MMUSD (equivalent to 245,096 MMTHB) which include interest-bearing debt of 2,874 MMUSD, a decrease of 292 MMUSD from total liabilities as at December 31, 2016 of 7,505 MMUSD (equivalent to 268,906 MMTHB), primarily due to;

- (1) Current liabilities, which were primarily comprised of accrued expenses and income tax payable, decreased of 174 MMUSD mainly due to payment of income tax for the year ended 2016 of 163 MMUSD and accrued expenses of 57 MMUSD, while current portion of debentures increase of 73 MMUSD.
- (2) Non-current liabilities, which were primarily comprised of debentures, provision for decommissioning costs and deferred tax liabilities, decreased of 118 MMUSD mainly from financial derivative liabilities of 51 MMUSD, deferred tax liabilities of 48 MMUSD and a reclassification some portion of debentures due within one year to current liabilities.

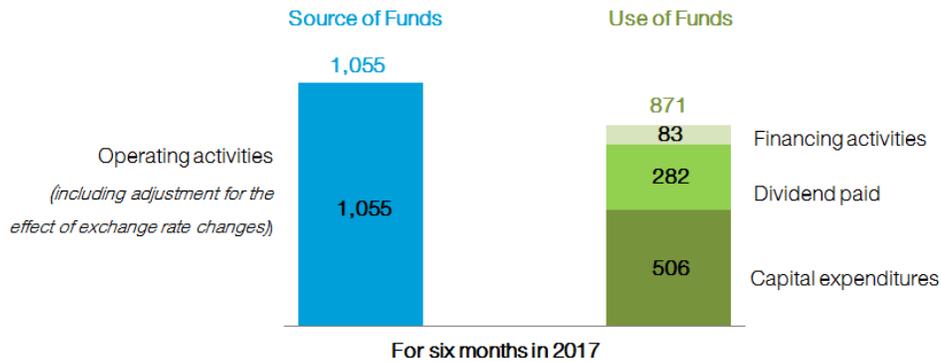
Capital Structure

As at June 30, 2017, the capital structure comprised of shareholders' equity in the amount of 11,659 MMUSD and total liabilities of 7,213 MMUSD, including the interest-bearing debts of 2,874 MMUSD with a weighted average cost of debt of 4.46% and the average maturity of 7.71 years. All interest-bearing debts are denominated in US Dollar currency. The proportion of the fixed interest rates to the floating interest rates is 80:20.

Financial Performance (Continued)

Cash Flows

Unit: Million US Dollar



As at June 30, 2017, the Group had cash and cash equivalents, including short-term investment in the form of bank fixed deposit with a maturity of more than three months, but within twelve months of 4,206 MMUSD, an increase of 184 MMUSD from cash and cash equivalents as at December 31, 2016 of 4,022 MMUSD.

**Sources of funds** in the amount of 1,055 MMUSD primarily came from **Net cash received from operating activities** as a result of the positive net cash flows from sales revenues, offset with cash payments for expenditures and income tax expenses.

**Uses of funds** in the amount of 871 MMUSD primarily came from **Net cash used in additional investment activities** for exploration and production assets, primarily for the Contract 4, Zawtika and Arthit projects, **Net cash used in financing activities** which mainly for the payment of dividend for the second half of 2016 which was paid in April 2017 of 282 MMUSD.

Key Financial Ratios

	Q1 2017	Q2 2017	Q2 2016	6M 2017	6M 2016
<b>Profitability Ratio (%)</b>					
EBITDA to revenue from sales	73.70	68.96	71.68	71.40	72.70
Return on equity	4.96	6.15	(7.43)	6.15	(7.43)
Net profit margin	12.91	16.45	(17.88)	16.45	(17.88)
<b>Leverage Ratio (Times)</b>					
Debt to equity	0.25	0.25	0.25	0.25	0.25
Debt to EBITDA	0.95	0.98	0.86	0.98	0.86

Remark:

- EBITDA to revenue from sales = Profit before deduction of interest, tax and depreciation to revenue from sales including revenue from pipeline transportation
- Return on equity = Net profit to weighted average shareholders' equity for the past 12 months
- Net profit margin = Net profit to total revenue for the past 12 months
- Debt to equity = Interest Bearing Debt to total shareholders' equity
- Debt to EBITDA = Interest Bearing Debt to profit for the past 12 months before deduction of interest, tax and depreciation

## Operational Highlights



Thailand and Southeast Asia



America



Australasia



Africa

As of the second quarter of 2017, PTTEP's domestic and international operations altogether sum to 37 projects in 10 countries with key project highlights as follows;

### Projects in Thailand

PTTEP currently has 16 projects in Thailand, the majority of which are in the production phase. These projects are located in both the Gulf of Thailand and onshore; including the Bongkot Project, the Arthit Project, the S1 Project, and the Contract 4 Project. For the second quarter of 2017, total sales volume from projects in Thailand amounted to 212,963 BOED, accounting for 76% of PTTEP's total sales volume. The number of total sales volume decreased slightly compared to last quarter owing to Bongkot's annual shutdown plan for maintenance purposes and temporary suspension of S1 operation due to the issue of the areas of the Agricultural Land Reform which had been resolved. We are aware and closely monitor the potential changes in the related laws and regulations which may affect our operations.

### Projects in Southeast Asia

PTTEP has 14 projects in this region which are located in the Republic of the Union of Myanmar (Myanmar), the Socialist Republic of Vietnam (Vietnam), the Federation of Malaysia (Malaysia) and the Republic of Indonesia (Indonesia). Sales volume for the second quarter of 2017 from the projects in the Southeast Asia region amounted to 60,487 BOED, representing 21% of PTTEP's total sales volume.

Highlights of key projects in the **production phase** within this region can be summarized as follows. **The Zawtika Project**, located in the Gulf of Moattama, Myanmar, has maintained its production as planned. The project is in the process of drilling additional producing wells in Phase 1B and constructing 4 production platforms in Phase 1C with the objective to support the production plateau. Current gas sales volume was 327 MMSCFD (approximately 52,058 BOED). **The Vietnam 16-1 Project**, located offshore in the southeast of Vietnam, recorded crude oil sales volume of 22,247 BPD. The project has begun the production of crude oil from 1 additional developed well as planned. The project is currently in the process of drilling 1 appraisal well in order to maintain its production level.

For projects in the **exploration phase**, major highlights include **the Myanmar M3 Project**, which is located offshore in the Gulf of Moattama, Myanmar. The commercial feasibility and resource potential for this project are still being assessed. **The Myanmar M11 Project**, located offshore, and **the Myanmar MD-7 Project**, located in the deep water area in the Gulf of Moattama, Myanmar, are currently being assessed for the fields' resource potential. **The Myanmar MOGE-3 Project**, located onshore in the Central Myanmar Basin, completed the 2D and 3D seismic campaign in this quarter and is currently assessing the project's resources potential and its prospects. **The Sarawak SK410B Project**, located offshore Sarawak, Malaysia, is carrying out the 3D seismic activities.

## Operational Highlights (Continued)

### Projects in the American

PTTEP has 3 projects in this region located in Canada and the Federal Republic of Brazil (Brazil).

All projects are in **Exploration Phase**. The **Mariana Oil Sands Project**, located in Alberta, Canada, submitted the development proposal for Thornbury Phase 1 to the government of Alberta in May 2015 with expectation to receive the approval within the third quarter of 2017. Pre-FEED study of this project has completed in this quarter and the project is currently under the process of contemplating development plan with focus on cost reduction and risk mitigation.

PTTEP has 2 projects in Brazil. The **Barreirinhas AP1 Project** is located in the Barreirinhas Basin, offshore to the northeast of Brazil. Currently, the project is in the process of evaluating the basin's petroleum potential through 3D seismic activity. The **Brazil BM-ES-23 Project**, located offshore in the Espirito Santo basin, east of Brazil, is currently studying the petroleum potential for further preparation of the development plan.

### Projects in Australasia

PTTEP has 1 project in this region which is located in the Commonwealth of Australia (Australia), and comprises 12 permits.

Fields in the **production phase**, the **Montara Field**, the sales volume for the second quarter of 2017 averaged 9,911 BPD which was slightly softer than the production plans due to the cyclone season in April and May 2017.

The **Cash Maple Field** is in exploration phase. Currently, the project is carrying out the Pre-FEED study which is scheduled to be completed by the end of 2017 for further preparation of the development plans.

### Projects in Africa

PTTEP has 3 projects in this region, located in the People's Democratic Republic of Algeria (Algeria) and the Republic of Mozambique (Mozambique).

The **Algeria 433a and 416b Project**, which is in **production phase**, and is located onshore in the eastern part of Algeria. Production volume for the second quarter of 2017 has averaged 17,172 BPD.

The **Algeria Hassi Bir Rekaiz Project**, which is in the **exploration phase**, and is located onshore in the eastern part of Algeria, successfully finished a drilling campaign with satisfactory crude oil and natural gas flow rates. Currently, the project's development plans, including development plan phase 1 at 10,000-13,000 BPD, are being prepared for submission to the Algerian government within 2017.

The **Mozambique Rovuma Offshore Area 1 Project**, which is also in the exploration phase, is a large gas project located at offshore Mozambique. During the second quarter of 2017, the project made progress in the receiving official approval on the marine concessions from the government of Mozambique. Moreover, the resettlement plan is now in the preparation phase which is scheduled to start by the third quarter of 2017. The project is currently in the process of finalizing the LNG off-take agreements, and negotiating for project finance with financial institutions to support the Final Investment Decision (FID) of the project.

## Company Strategy

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To enhance competitiveness and sustainable growth under the current oil price environment, the Company continuously carries out its operation through the concept of “RESET REFOCUS RENEW”. **RESET**: reduce the cost structure to maintain competitiveness in the industry under low oil price environment. **REFOCUS**: expand investments towards areas of high expertise and high potential. **RENEW**: focus on long-term strategy for sustainable growth.

### Capital Management

PTTEP also focuses on ensuring effective financial management through maintaining a robust capital structure. As of the second quarter of 2017, the company maintained a strong liquidity position with supported by a relatively low current debt-to-equity ratio of less than 0.3x which is in line with the company strategic policies.

As of the second quarter of 2017, the Company has cash on hand of approximately 4.2 billion USD which will be used to fund capital expenditures to maintain production, develop future projects in the pipeline, and carry out exploration activities as well as support new investment opportunities through Merger and Acquisition activities (M&A).

In addition, the company is now in the process of implementing a liability management plans for its group companies with respect to US\$ denominated debts to ensure efficiency in financial management which is expected to accomplish within the third quarter.

### Portfolio Management

The Company places great focus on adding petroleum reserves in both long and short term. The emphasized plans are as follows.

1. The majority of the reserves addition is expected after achieving Final Investment Decision (FID) of development projects including the Mozambique Rovuma Offshore Area 1 Project, the Contract 4 (Ubon Field), and the Algeria Hassi Bir Rekaiz Project.
2. M&A deals where the Company is currently awaiting results of a few submitted bid proposals, with particular focus on producing assets or those which are in the final stage of development and close to production, located mainly in the South East Asia region where the operating risk is moderately low due to market readiness with attractive return.
3. The Company plans to accelerate exploration activities in exploration projects in the current portfolio particularly focus on Myanmar and Malaysia as well as seeking new opportunities in strategic areas.
4. To participate in the bidding process of expiring concessions including Bongkot and Erawan. If the company wins the bid, reserves will be added after carrying out further exploration and appraisal activities. The company is well prepared for the upcoming biddings, in which the results are expected by the first quarter of 2018 as prescribed by Ministry of Energy's timeframe.
5. To cooperate on the LNG value chain with PTT, where PTT Global LNG Company Limited (PTTGL) was established with PTT and PTTEP owning equally 50% stakes to support LNG investment and other LNG related opportunities. Currently, the PTTGL is considering several investment opportunities in LNG projects around the globe. In July 2017, PTTGL acquired 10% stakes in MLNG Train 9 in Malaysia from Petronas, which is LNG liquefaction plant with the nameplate capacity of 3.6 million tons per annum. This is part of our success in securing LNG value chain opportunities to capture the increasing Thailand's energy demand. Also, investment with a leading company, Petronas, would support the LNG business of the Company in expanding our operations in Malaysia in the future.

## Company Strategy (Continued)

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### Cost Management

The company still focus on cost control strategy by developing the **SPEND SMART to Business Sustainability** campaign with the theme “Think Smart, Work Smart for Better Efficiency” to become a low cost operator with long-term competitive advantages and sustainable growth. In second quarter of 2017, the company still managed to sustain low unit cost at \$29.08 per barrel oil equivalent.

### Sustainable Development

PTTEP’s vision is to become a leading Asian E&P company driven by competitive performance, advanced technology and green practices. In order to continuously enhance PTTEP’s sustainable development practices, the Company has outlined a sustainable development plan around the three areas: business, social, and environment. Key activities during the second quarter of 2017 are as follows.

#### Business

PTTEP provides support in research and development of technologies and innovations to enhance the organization’s competitiveness and sustainable development. In the second quarter of 2017, PTTEP collaborated in Research and Technology Development with a number of academic institutions and private organizations such as Japan Oil, Gas and Metals National Corporation (JOGMEC) in the area of electromagnetic technology development and Vidyasirimedhi Institute of Science and Technology (VISTEC) in the area of CO2 conversion development. In addition, PTTEP also participated in the Thailand Business Council for Sustainable Development (TBCSD) seminar.

#### Social

PTTEP is committed to carry out its business operations with responsibility to society by focusing in four development areas: fundamental needs, education, environment, and culture and sports. The Company organized many activities with local communities for long-term benefits to the stakeholders in areas in which PTTEP operates as well as to the society as a whole. Key activities in the second quarter of 2017 include the reforestation and the School-Based Integrated Rural Development (School-BIRD) project.

#### Safety, Security, Health and Environment

PTTEP has an environmental management system which encompasses a project’s entire life cycle, and is a subset of PTTEP’s Safety, Security, Health and Environment Management System (SSHE MS). In the second quarter of 2017, PTTEP had a Lost Time Injury Frequency (LTIF) score of 0.13 and a Total Recordable Incident Rates (TRIR) score of 0.76. The Company’s performance on both safety indicators is superior to that of the average of the members in the International Association of Oil and Gas Producers (IOGP). Moreover, PTTEP aims to become a Low Carbon Footprint organization, and has revised a goal to reduce its greenhouse gas (GHG) emissions by a minimum 25% by the year 2030 versus its 2012 base year figure. In the second quarter of 2017, PTTEP reduced its GHG emissions by 6.8% below its 2012 levels.

## *Future Business Outlook*

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### *Oil Price Outlook*

PTTEP expects crude oil prices for the second half of 2017 to be range-bound between 45 and 50 USD/barrel due to the reoccurrence of oversupply conditions, mainly from the additional supply from US, with the current capacity of 9.3 million BOED and the rising numbers of US rig counts since the beginning of 2017 and the forecasted incremental US crude production from the year 2016 of approximately 0.4 million barrels per day in 2017, as well as the ramping up production from Libya and Nigeria. However, there are a positive sign of global crude demand growth, which the U.S. Energy Information Administration (EIA), estimated 1.3 million barrels per day (BPD) from the level of 2016. The major contribution of demand growth will be supported by Organization for Economic Cooperation and Development (OECD) and India, rising in Q3/2017 from Tourist Season in the US and will slightly decline in Q4/2017 as a result of global refinery plants maintenance shutdown.

In addition, there are several other factors driving crude oil price for the remaining of the year including pace of the FOMC's interest rate hike, which is speculated another execution by the end of this year, slower economic growth in China, and a clarity on economic stimulus policy from major development counties such as the European Union and Japan etc.

### *Thai Economy and Foreign Exchange Outlook*

The Bank of Thailand expects the domestic economy to expand 3.5% in 2017, mainly driven by the government spending, an exports growth reflecting better economic conditions of Thailand's trading partners, and a recovery of tourism, the energy demand is likely to grow, in line with the economic growth.

For Foreign Exchange, the Thai Baht against US Dollar exchange rate remains uncertain as the capital market is expected to be volatile and require close monitoring from a number of factors; lack of clarity on the US economic policy, possible changes in the political situations in Europe, and the economic direction of major industrial countries such as European countries and China, which have an indirect impact on the foreign exchange rate. The financial performance of PTTEP will be affected by a change in exchange rates mainly in the form of income taxes arising from the difference between the Company's functional currency and the currency in which it files its taxes. The majority of the difference, however, does not impact the Company's cash flows. Furthermore, the increase in interest rate is expected to have minimal impact on the Company's financial performance as approximately 80% of total debt comprises of fixed interest rate debt.

*Future Business Outlook*

*PTTEP's performance outlook for 2017*

PTTEP's performance depends on 3 major factors including **Sales volumes**, **Gas price** and **Unit cost**. The Company has revised Year 2017 guidance in order to reflect the latest changes in the operation plans and industry environment with the guidance summary as follows;



\*based on average Dubai price assumption of 49 USD/BBL for 2017

**Sales volume:** Focus on maintaining the production level in Thailand with the estimated sales volume for Q3/2017 to be approximately 290,000 BOED, increasing from Q2/2017 due to a lower planned maintenance shutdown activity as well as the recovering sales volumes from the MTJDA Project given the Malaysian buyer is able to receive natural gas as normal. Average annual sales volume for 2017 is estimated at approximately 300,000 BOED subject to the uncertainty surrounding the receiving quantity of natural gas in the Gulf of Thailand which might be affected by the current low global LNG prices. Nonetheless, the Company plans to increase the production of condensate wells in order to compensate with the missing sales volume and revenue from the lowered gas sales.

**Sales price:**

- PTTEP's oil price will fluctuate according to the global crude oil prices
- PTTEP's gas price is linked to a formula with 6-12 months lag time adjustment to the global crude prices. It is estimated that average gas price for Q3/2017 and the year 2017 will be approximately 5.6 USD/MMBTU and 5.5 USD/MMBTU, respectively (based on average Dubai price assumption of 49 USD/BBL for 2017).
- Outstanding oil hedged volume as of Q2/2017 is approximately 4 MMBOE, however, the company consistently monitors the crude oil price movements with the flexibility to adjust the hedging plan as appropriate.

**Unit Cost:** Estimated unit cost for Q3/2017 and the year 2017 will be approximately 30 USD/BOE and 29 USD/BOE, respectively, which is in line with the Company's previous guidance.